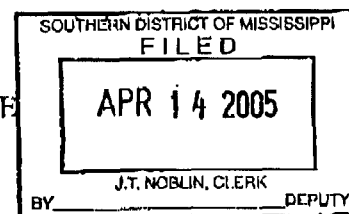


IN THE UNITED STATES DISTRICT COURT FOR THE  
SOUTHERN DISTRICT OF MISSISSIPPI  
SOUTHERN DIVISION



UNITED STATES OF AMERICA

Plaintiff,

v.

Civil No. 1:05cv1101

RAY ROBERT LADNER, D/B/A  
PROFESSIONAL ACCOUNTING  
SERVICES, INC., PROFESSIONAL  
ASSOCIATES, INC., LADNER'S  
ACCOUNTING SERVICE, INC.,  
EXPRESS REFUND TAX SERVICE, and  
COAST ACCOUNTING & TAX SERVICE,  
INC.

Defendant.

**COMPLAINT FOR PERMANENT INJUNCTION**

The United States of America, plaintiff, alleges against Robert Ray Ladner, d/b/a Professional Accounting Services, Inc.; Professional Associates, Inc.; Ladner's Accounting Service, Inc., Express Refund Tax Service; and Coast Accounting & Tax Service, Inc., as follows:

**Nature of Complaint**

1. This is a civil action brought by the United States of America pursuant to 28 U.S.C. §§ 1340 and 1345, and Internal Revenue Code (I.R.C.) §§ 7402, 7407, and 7408 to enjoin Ray Robert Ladner from:

- a. preparing or assisting in the preparation of any federal income tax return for any other person or entity;
- b. understating taxpayers' liabilities as prohibited by IRC § 6694 or engaging in any other conduct subject to penalty under the Internal Revenue Code.
- c. failing to sign returns prepared by him, failing to furnish his taxpayer

identification number as required by IRC § 6109(a)(4), and failing to provide his customer list to the IRS on request;

- d. providing any tax advice or services for compensation, including providing consulting services;
- e. engaging in any similar conduct that substantially interferes with the proper administration and enforcement of the internal revenue laws.

### **Jurisdiction**

2. This action has been requested by a delegate of the Secretary of the Treasury, and commenced at the direction of a delegate of the Attorney General of the United States, pursuant to the provisions of I.R.C. §§ 7402, 7407, and 7408.

3. Jurisdiction is conferred on this Court by 28 U.S.C. §§ 1340 and 1345, and IRC §§ 7402(a), 7407, and 7408.

4. Venue is proper in the United States District Court for the Southern District of Mississippi under 28 U.S.C. § 1391.

### **Defendant**

5. Ray Robert Ladner resides at 12341 Vidalia Road, Pass Christian, Mississippi 39571.

6. Ladner has conducted business through at least the following entities: Professional Accounting Services, Inc.; Professional Associates, Inc.; Ladner's Accounting Service, Inc., Express Refund Tax Service; and Coast Accounting & Tax Service, Inc.

### **Facts Common to All Counts**

7. Ladner obtained an associates degree in accounting in 1971.

8. Ladner completed a correspondence course from the National Tax Training School in Munsey, New York, in the late 1960's.

9. Ladner has been preparing returns since 1991 or 1992 although he prepared returns for a period from the 1970's into the 1980's.

10. Ladner is not and has never been a certified public accountant in Mississippi.

11. Ladner prepares federal income tax returns for compensation.

12. Returns prepared by Ladner exhibit the following fraudulent characteristics:

- a. Fabricated charitable deductions;
- b. Fabricated business deductions;
- c. Fabricated unreimbursed employee business expenses;
- d. Fabricated miscellaneous deductions;
- e. Claiming as foster children individuals who were not foster children of the taxpayer;
- f. Improperly claiming earned income credit;
- g. Failing to include his name and social security number as the preparer and falsely identifying the preparer as somebody other than himself.

13. Ladner fraudulently uses the names and social security numbers of minor children of some customers to claim exemptions on other unrelated customers' returns without the knowledge or consent of the children's parents.

14. Ladner has prepared false returns for individuals without their knowledge or consent in order to fraudulently obtain tax refunds for himself.

15. Ladner has falsely represented himself as a certified public accountant.

16. Ladner has falsely signed the names Anthony Herrington, Gregory Yestadt, and Jeannette Cuevas as preparer to federal income tax returns he prepares.

17. Ladner has previously obtained IRS e-file numbers which would authorize the filing

of tax returns electronically, but the IRS suspended these numbers.

18. To circumvent his e-filing suspension, Ladner has improperly used the e-file number assigned by the IRS to Jeannette Cuevas to submit Ladner-prepared tax returns electronically.

19. For tax year 2002, 329 returns were filed using the name Jeannette Cuevas as a return preparer and the e-file number issued to Jeannette Cuevas.

20. For tax year 2003, 291 returns were filed using the name Jeannette Cuevas as a return preparer and the e-file number issued to Jeannette Cuevas.

21. Upon information and belief, Ladner, not Cuevas, prepared all the returns identified in paragraphs 19 and 20.

22. The IRS has begun examining twenty returns believed to have been prepared by Ladner for the 1998 to 2000 tax years, and has estimated that each return causes a \$3,000 tax loss to the Federal Treasury. Based on that estimate and the number of returns believed to have been prepared by Ladner for the 2002 and 2003 tax years, the total harm to the Treasury from Ladner's misconduct may be as high as \$1,860,000 for the 2002 and 2003 tax years.

23. The extent (if any) to which Jeannette Cuevas participates in the activities identified herein is unknown.

24. Ladner failed to provide his customer list to the IRS on request in violation of IRC § 6107(b).

### **Example 1**

25. In February 2005, Ladner prepared a 2004 federal income tax return for a married couple from Saucier, Mississippi.

26. The federal income tax return prepared and submitted to the IRS by Ladner on behalf

of the Saucier couple contained the following fraudulent information:

- a. false charitable contributions exceeding \$5,000;
- b. false business expenses of \$23,769.

27. The couple's return bears the purported signature of Jeannette Cuevas as the return preparer although the couple had retained Ladner to prepare their return.

28. The couple did not provide to Ladner information to support the false charitable deductions and false employee business expenses; nor did they request that Ladner include such false information on their return.

29. When the wife complained to Ladner about the fee he had charged the couple for preparing their return, Ladner falsely told the wife that Ladner was a certified public accountant.

### **Example 2**

30. A married couple from Gulfport, Mississippi had their 2002 and 2003 federal income tax returns prepared by Ladner.

31. Both of these returns purported to be prepared by Jeannette Cuevas.

32. The 2003 return contained the following fraudulent information:

- a. False unreimbursed employee expenses of \$15,365;
- b. False business losses of \$15,507.

33. The 2002 return contains the following fraudulent information:

- a. False unreimbursed employee expenses of \$10,361;
- b. False business losses of \$5,053.

### **Example 3**

34. Ladner prepared federal income tax returns for a married couple from Biloxi,

Mississippi for 1998, 1999, and 2000.

35. The 1998 return for these customers contained the following fraudulent information:

- a. false charitable contributions of about \$5,700;
- b. false unreimbursed employee expenses of \$6,202.

36. These fabrications were placed on the couple's 1998 federal income tax return without their knowledge or consent.

37. The 1999 return for this couple contained the following fraudulent information:

- a. false business losses of \$2,515;
- b. false charitable contributions of about \$6,600;
- c. false unreimbursed employee expenses of \$13,359.

38. These fabrications were placed on the Gulfport couple's 1999 federal income tax return without their knowledge or consent.

39. Although Ladner prepared the 1999 return for this couple, he falsely signed the name Anthony Herrington on the return as the preparer.

40. The 2000 return for the Gulfport couple contained the following fraudulent information:

- a. false charitable contributions of \$5,500;
- b. false unreimbursed employee expenses of \$12,284.

41. These fabrications were placed on the couple's 2000 federal income tax return without their knowledge or consent.

42. Although Ladner prepared the couple's 2000 return, he falsely signed the name Gregory Yestadt on the return as the preparer.

#### **Example 4**

43. Ladner prepared the 1998 federal income tax return for a married couple to whom he is related.

44. The return falsely lists the minor child of different customers (the couple from Kiln, Mississippi identified in Example 5, below) as a foster child of this related couple in order to claim a fraudulent dependency exemption.

45. The couple from Kiln, identified in Example 5, below, had given their child's name and social security number to Ladner in connection with hiring him to prepare their tax return.

46. Ladner's use of this child's name and social security number on the related couple's tax return was done without the knowledge or consent of the Kiln couple.

#### **Example 5**

47. A married couple from Kiln, Mississippi, retained Ladner to prepare a federal income tax return for 1998. The husband had worked about half the year while the wife had not worked at all that year.

48. Without the knowledge or consent of the wife, Ladner prepared a federal income tax return in her name, using her social security number, solely in order to fraudulently obtain a tax refund for himself that exceeded \$1,900. To carry out the fraud Ladner prepared a Schedule C listing fabricated business income in order to falsely claim that the wife was entitled to an earned income credit. In fact the wife had no business income and was not entitled to the earned income credit. To complete the fraud Ladner had the refund paid to him rather than to the Kiln woman.

#### **Example 6**

49. Ladner prepared a 1999 federal income tax return bearing the name and social

security number of a close relative and claiming a refund of \$1,271.

50. Although Ladner prepared the return, he falsely signed the name Anthony Herrington on the return as the preparer.

51. The return falsely listed a minor child as a foster child of the relative as a basis for an income tax exemption and as support for an earned-income tax credit.

### **Example 7**

52. Ladner prepared a federal income tax return for the 1998 tax year bearing the name of another close relative and claiming a refund of \$1,248.

53. The address listed for the taxpayer identified a post office box belonging to Ladner, not his relative.

54. The return falsely listed a minor child as a foster child of the relative as a basis for an income tax exemption and as support for an earned-income tax credit.

55. The return was prepared without the relative's knowledge or consent and Ladner received the refund.

56. Ladner prepared this federal income tax return solely in order to fraudulently obtain a refund for himself.

### **COUNT I (preparer injunction under IRC § 7407)**

57. The United States incorporates the allegations of paragraphs 1 through 56.

58. IRC § 7407 authorizes the Court to enjoin an individual from acting as an income tax return preparer if that person:

- a. is a paid income tax return preparer; and



- b. continually or repeatedly
  - I. engaged in conduct subject to penalty under IRC § 6694 (which penalizes a paid tax return preparer who prepares or submits a return containing an unrealistic position) or § 6695 (which penalizes a preparer who fails to include his identification number on prepared returns, fails to turn over a client list or copies of clients' returns to the IRS on request, or fails to comply with due diligence requirements with respect to determining eligibility requirements for or the amount of the earned income credit ); or
  - ii. preparing income tax returns if the person has engaged in conduct subject to criminal penalty under the Internal Revenue Code;
  - iii. misrepresenting his experience or education as an income tax return preparer;
  - iv. engaged in any other fraudulent or deceptive conduct that substantially interferes with the proper administration of the internal revenue laws; and
- c. an injunction is appropriate to prevent the recurrence of such conduct; and
- d. a more limited injunction prohibiting such behavior would be insufficient to stop interference with the proper administration of the tax laws.

59. IRC § 6694 imposes penalties on tax return preparers who prepare income tax returns on which there is an understatement of liability where:

- a. the understatement is due to a position for which there was not a realistic possibility of being sustained on the merits;
- b. the preparer knew or should have known this position was unrealistic; and
- c. either the position was not disclosed as provided in IRC § 6662(d)(2)(B)(ii) (requiring disclosure of relevant facts) or it was frivolous.

60. IRC § 6695 imposes penalties on a return preparer who fails to include his identifying number on a prepared return, fails to turn over a client list or copies of clients' returns to the IRS on request, or fails to comply with due diligence requirements with respect to determining eligibility requirements for or the amount of the earned income credit .

61. Ladner is an income tax return preparer as defined by IRC § 7701(a)(36) because he prepares other people's tax returns for compensation.

62. Ladner has engaged in conduct subject to penalty under IRC § 6694 by preparing returns containing complete fabrications such as false charitable contributions, false business losses, false unreimbursed employee expenses, and false earned income credit based on false allegations regarding foster children.

63. Ladner has engaged in conduct subject to penalty under IRC § 6695 by failing to produce to the IRS on request customer lists or copies of returns as required by IRC § 6107(b), and failing to comply with due diligence requirements with respect to determining eligibility requirements for or the amount of the earned income credit.

64. Ladner has engaged in conduct subject to penalty under IRC § 6695 by failing to sign returns he prepares for others as required by law and by falsely representing on those returns that they were prepared by others.

65. Ladner has engaged in conduct subject to penalty under IRC § 6695 by failing to place his tax identification number on returns he prepares for others and by false placing other individual's tax identification numbers on those returns.

66. Ladner has misrepresented his education and experience as an income tax return preparer by falsely representing himself as a certified public accountant.

67. Injunctive relief is appropriate to prevent this misconduct because, absent an injunction, Ladner is likely to continue to prepare false federal income tax returns and engage in other misconduct of the type described in this complaint.

68. Ladner continually and repeatedly prepared returns with substantial understatements

of income and tax despite the fact that he knew or should have known that his arguments in favor of such understatements have no basis in the law.

69. Ladner will likely continue to interfere with the proper administration of the tax laws even if the particular behavior described in this Complaint is enjoined. Accordingly, Ladner should be permanently enjoined from acting as an income tax preparer.

70. The United States is entitled to an injunction under IRC § 7407 prohibiting Ladner from preparing federal income tax returns.

**COUNT II**  
**(Injunction under IRC § 7402)**

71. The United States incorporates the allegations of paragraphs 1 through 70.

72. IRC § 7402(a) authorizes courts to issue injunctions as may be necessary or appropriate to enforce the internal revenue laws.

73. Ladner has engaged in conduct that substantially interferes with the administration and enforcement of the internal revenue laws, and is likely to continue to engage in such conduct unless enjoined by this Court. Ladner's conduct is causing irreparable injury to the United States and an injunction under IRC § 7402(a) is necessary and appropriate.

74. The United States is entitled to injunctive relief under IRC § 7402(a).

**COUNT III**  
**(Injunction under IRC § 7408)**

75. The United States incorporates the allegations of paragraphs 1 through 74.

76. IRC § 7408 authorizes courts to issue injunctions against conduct that is subject to penalty under IRC § 6701 or that is subject to any other penalty under the Internal Revenue Code.

77. Ladner has prepared and filed federal tax returns and other documents for others

knowing that the returns or documents would, if used, result in the understatement of another person's federal tax liability. He has engaged in conduct that is subject to penalty under IRC § 6701, and an injunction under IRC § 7408 is appropriate.

WHEREFORE, the United States of America requests the following relief:

A. The Court find that Ladner has continually and repeatedly engaged in conduct subject to penalty under IRC §§ 6694 and 6695, and that injunctive relief limited to prohibiting such conduct would not be sufficient to prevent Ladner's interference with the proper administration of the Internal Revenue Code;

B. The Court, pursuant to IRC § 7407, enter a permanent injunction prohibiting Ladner from preparing or assisting in the preparation of federal income tax returns or other related documents and forms for others;

C. The Court find that Ladner has engaged in conduct that interferes with the enforcement of the internal revenue laws, and that injunctive relief against him and anyone acting in concert with him is appropriate to prevent the recurrence of that conduct pursuant to the Court's inherent equity powers and IRC § 7402(a);

D. The Court find that Ladner has engaged in conduct that is subject to penalty under IRC § 6701, and an injunction under IRC § 7408 is appropriate.

E. The Court, pursuant to IRC § 7402(a), enter an injunction requiring Ladner to contact all persons for whom he prepared or assisted in preparing a federal income tax return after January 1, 1999, and inform those persons of the entry of the Court's findings, the falsity of the tax returns prepared on their behalf, the possibility of the imposition of penalties against them, the possibility that the United States may seek to collect and federal income taxes, interest,

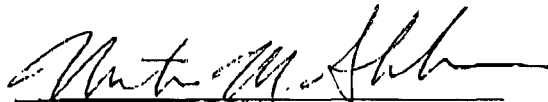
and penalties, which they may owe, and the entry of the permanent injunction against Ladner;

F. The Court order Ladner to turn over to the United States either copies of all federal income tax returns he has prepared for other persons since January 1, 1999 or a list of the names, addresses, e-mail addresses, social security numbers (and any other federal tax identification numbers), telephone numbers, and pertinent tax years of all persons for whom Ladner prepared or assisted in preparing federal income tax returns since January 1, 1999;

G. The Court authorize the United States to engage in post-judgment discovery pursuant to the Federal Rules of Civil Procedure in order to monitor compliance with the Court's injunction; and

H. The Court grant the United States such other and further relief as the Court deems appropriate.

DUNN O. LAMPTON  
United States Attorney



MARTIN M. SHOEMAKER  
ANDREW T. PRIBE  
Trial Attorneys, Tax Division  
U.S. Department of Justice  
Post Office Box 7238  
Washington, D.C. 20044  
Telephone: (202) 514-6491  
Fax: (202) 514-6770

STEPHEN R. GRABEN  
Assistant United States Attorney  
1575 20th Avenue  
Gulfport, MS 39507  
Telephone: (228) 563-1560  
Fax: (228) 563-1571  
Miss. Bar No.: 4931